

**PIERSON TOWNSHIP**  
**MONTCALM COUNTY, MICHIGAN**  
**AUDIT REPORT**  
**MARCH 31, 2005**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

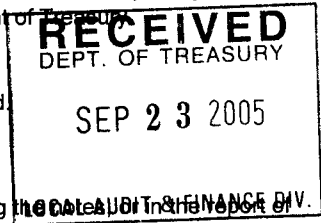
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>PIERSON TOWNSHIP</b>	County <b>MONTCALM</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>8/5/05</b>	Date Accountant Report Submitted to State: <b>9/23/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes to the financial statements, comments and recommendations.



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>TERRY KIRKPATRICK, CPA, P.C.</b>			
Street Address <b>211 MAPLE STREET</b>	City <b>BIG RAPIDS</b>	State <b>MI</b>	ZIP <b>49307</b>
Accountant Signature 			Date <b>9/22/05</b>

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**TERRY KIRKPATRICK, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

211 MAPLE STREET  
P O BOX 817  
BIG RAPIDS, MICHIGAN 49307-0817  
(231) 796-3332  
FAX (231) 796-5554

**Independent Auditor's Report**

To the Township Board  
Pierson Township, Montcalm County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pierson Township, Montcalm County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise Pierson Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Pierson Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pierson Township, Montcalm County, Michigan, as of March 31, 2005, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Pierson Township has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis- for State and Local Governments*, as of March 31, 2005. Management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pierson Township, Montcalm County, Michigan basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Terry Kirkpatrick, CPA, P.C.

Big Rapids, Michigan  
August 5, 2005

*BASIC FINANCIAL STATEMENTS*

Pierson Township – Montcalm County, Michigan

Government Wide Statement of Net Assets

March 31, 2005

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 439,412
Accounts Receivable	17,433
Deferred Charges - Escrow	4,616
Receivables - Other Governmental Units	11,299
Capital Assets (Net)	<u>41,987</u>
Total assets	<u><u>\$ 514,747</u></u>
<b>LIABILITIES</b>	
Accrued Liabilities	\$ 8
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	41,987
Unrestricted	<u>472,752</u>
Total net assets	<u><u>514,739</u></u>
Total liabilities and net assets	<u><u>\$ 514,747</u></u>

The "Notes to Financial Statements" are an integral part of these statements.

Pierston Township – Montcalm County, Michigan  
Government Wide Statement of Activities  
For the Year Ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Operating Grants</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>PRIMARY GOVERNMENT</b>				
General Government	\$ 153,897	\$ 0	\$ 0	(153,897)
Public Safety	67,769	20,009	0	(47,760)
Public Works	87,783	0	0	(87,783)
Cultural and Recreation	82,824	50,400	0	(32,424)
Other Functions	11,099	0	0	(11,099)
Depreciation (unallocated)	2,160	0	0	(2,160)
<b>Total primary government</b>	<b>\$ 405,532</b>	<b>\$ 70,409</b>	<b>\$ 0</b>	<b>(335,123)</b>

<b>General Revenues</b>	
Property Tax, levied for general operations	87,434
State Grants	177,042
Charges for Services	113,112
Interest Earnings	1,858
Other Revenue	7,299
<b>Total general revenues</b>	<b>386,745</b>
<b>Change in Net Assets</b>	
Net assets - Beginning of year	51,622
Net assets - End of year	463,117
	<u>\$ 514,739</u>

The "Notes to Financial Statements" are an integral part of these statements.

*GOVERNMENTAL FUND FINANCIAL STATEMENTS*

Pierion Township – Montcalm County, Michigan  
 Governmental Fund Balance Sheet  
 March 31, 2005

	General Fund	Big Whitefish Lake S/A Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 320,330	\$ 81,566	\$ 37,516	\$ 439,412
Accounts Receivable	17,433	0	0	17,433
Deferred Charges - Escrow	4,616	0	0	4,616
Due from Montcalm County	8,637	754	1,205	10,596
Due from Cemetery Fund	191	0	0	191
Due from Current Tax Fund	703	0	0	703
Total assets	\$ 351,910	\$ 82,320	\$ 38,721	\$ 472,951
<b>LIABILITIES AND FUND EQUITY</b>				
Accrued Liabilities	\$ 8	\$ 0	\$ 0	\$ 8
Due to General Fund	0	0	191	191
Fund Balance - Unreserved and Undesignated	351,902	82,320	38,530	472,752
Total liabilities and fund equity	\$ 351,910	\$ 82,320	\$ 38,721	\$ 472,951

Reconciliation of the Balance Sheet of Governmental Funds to  
 the Statement of Net Assets

Total Governmental Fund Balances	\$ 472,752
Amounts reported for governmental activities in the statement of net assets are different because:	
Cost of capital assets, net of depreciation	41,987
Net assets of governmental activities	\$ 514,739

The "Notes to Financial Statements" are an integral part of these statements.

Pierson Township – Montcalm County, Michigan  
 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Year Ended March 31, 2005

	General Fund	Big Whitefish Lake S/A Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Property Tax	\$ 87,434	\$ 0	\$ 0	\$ 87,434
Licenses and Permits	20,009	0	0	20,009
State Grants	177,042	0	0	177,042
Charges for Services	112,713	0	590	113,303
Interest and Rents	1,272	479	107	1,858
Other Revenue	7,299	32,400	18,000	57,699
Total revenues	405,769	32,879	18,697	457,345
EXPENDITURES				
General Government	153,897	0	0	153,897
Public Safety	67,769	0	0	67,769
Public Works	87,783	0	0	87,783
Cultural and Recreation	10,000	63,226	9,598	82,824
Other Functions	11,099	0	0	11,099
Total expenditures	330,548	63,226	9,598	403,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	75,221	(30,347)	9,099	53,973
Fund Balance - April 1, 2004	276,681	112,667	29,431	418,779
Fund Balance - March 31, 2005	\$ 351,902	\$ 82,320	\$ 38,530	\$ 472,752

The "Notes to Financial Statements" are an integral part of these statements.

Pierson Township – Montcalm County, Michigan

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended March 31, 2005

Net Change in Fund Balances - Total Government Funds	\$ 53,782
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(2,160)
Change in Net Assets of Governmental Activities	\$ 51,622

The "Notes to Financial Statements" are an integrated part of these statements.

Pierson Township – Montcalm County, Michigan

Fiduciary Fund  
Statement of Net Assets  
March 31, 2005

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Agency Fund Type  
Property Tax Collection Fund

ASSETS

Cash and Cash Equivalents

\$ 1,552

LIABILITIES

Due to General Fund

\$ 703

Due to Other Governmental Units

849

Total liabilities

\$ 1,552

The "Notes to Financial Statements" are an integrated part of these statements.

*NOTES TO FINANCIAL STATEMENTS*

## Pierson Township – Montcalm County, Michigan

Notes to Financial Statements  
For the Year Ended March 31, 2005

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Pierson Township conform to accounting policies generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Pierson Township:

#### Reporting Entity

The Township is governed by an elected, five-member, Board. The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Based on the application of the criteria, the Township does not contain any component units.

#### Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

**District-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Fund Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be "available" if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes – Pierson Township's property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property located within Pierson Township as of the preceding December 31<sup>st</sup>.

## Pierson Township – Montcalm County, Michigan

Notes to Financial Statements  
For the Year Ended March 31, 2005

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Although the Pierson Township 2004 ad valorem tax is levied and collectible on December 1, 2004, it is Pierson Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2004 taxable valuation of Pierson Township totaled approximately \$93,027,000, on which ad valorem taxes levied consisted of .5729 mills for the Township operating purposes. These amounts are recognized in the General Fund financial statements as Due from Montcalm County and/or as a tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted-for in another fund.

The Big Whitefish Lake Special Assessment Fund is used to record special assessment and interest for expenditures for weed control in the lake.

Additionally, the Township reports the following fund types:

The Township reports a Fiduciary Fund (Agency Fund). This fund accounts for taxes and special assessments collected by the Township as an agent for other taxing units. Fiduciary Fund net assets and results of operations are not included in the government-wide financial statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township reports two non-major special revenue funds for a cemetery fund, and also one for weed control on Little Whitefish Lake.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

### Assets, Liabilities and Net Assets or Equity

**Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> and are considered delinquent on March 1<sup>st</sup> of the following year, at which time interest and penalties are assessed.

**Capital Assets** – Capital assets, which include property, plant and equipment assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Building Improvements	15 to 30 Years
Equipment	5 to 10 Years

## Pierson Township – Montcalm County, Michigan

Notes to Financial Statements  
For the Year Ended March 31, 2005

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**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental units. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, activity and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township have its budget in place by April 1<sup>st</sup>. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits a township to amend its budgets during the year.

### NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township Funds. The investment policy adopted by the Township Board in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 439,412

The bank balance of the primary government's deposits is \$445,372, of which \$101,000 is covered by federal depository insurance.

### NOTE D – RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds are as follows:

	General	Big Whitefish Lake S/A	Non-Major	Total
Taxes receivable from County	\$ 8,637	\$ 754	\$ 1,205	\$ 10,596

Pierson Township – Montcalm County, Michigan  
Notes to Financial Statements  
For the Year Ended March 31, 2005

**NOTE E – CAPITAL ASSETS**

Capital asset activity of the governmental activities for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and Improvements	\$ 12,947	\$ 0	\$ 0	\$ 12,947
Capital assets being depreciated				
Buildings	67,200	0	0	67,200
Equipment	9,300	0	0	9,300
Less Accumulated depreciation for Capital assets	(45,300)	(2,160)	0	(47,460)
Net capital assets	\$ 44,147	\$ (2,160)	\$ 0	\$ 41,987

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

**NOTE G – INTERFUND RECEIVABLES and PAYABLES**

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 703

**NOTE H – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). The Township has purchased workers' compensation insurance for such claims. Settled claims relating to the workers' compensation insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

*REQUIRED SUPPLEMENTAL INFORMATION*

# Pierson Township – Montcalm County, Michigan

## Budgetary Comparison Schedule

### General Fund

For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
BEGINNING OF YEAR FUND BALANCE	\$ 276,681	\$ 276,681	\$ 276,681	\$ 0
Resources (inflows)				
Property Tax	76,482	76,482	87,434	10,952
Licenses and Permits	11,000	11,000	20,009	9,009
State Grants	180,279	180,279	177,042	(3,237)
Charges for Services	74,250	74,250	112,713	38,463
Interest and Rents	1,500	1,500	1,272	(228)
Other Revenue	550	550	7,299	6,749
Amounts Available for Appropriation	620,742	620,742	682,450	61,708
Changes to Appropriations (outflows)				
General Government				
Township board	33,422	33,422	30,297	3,125
Supervisor	14,000	14,000	13,581	419
Elections	8,100	8,100	8,089	11
Assessor	33,000	33,000	32,321	679
Clerk	21,930	21,930	21,643	287
Board of review	2,000	2,000	1,088	912
Treasurer	28,000	28,000	25,998	2,002
Townhall	11,000	11,000	9,896	1,104
Cemetery	8,000	8,000	10,984	(2,984)
Public Safety				
Fire protection	43,000	43,000	43,481	(481)
Planning and zoning	43,688	43,688	24,288	19,400
Public Works				
Highways, streets & bridges	100,000	100,000	85,728	14,272
Public Drain	1,274	1,274	1,274	0
Street lighting	1,000	1,000	781	219
Cultural and Recreation				
Library	10,000	10,000	10,000	0
Other Functions				
Insurance and Bonds	7,000	7,000	6,087	913
Social security/ medicare tax	6,646	6,646	3,191	3,455
Retirement	3,000	3,000	1,821	1,179
Total Charges to Appropriations	375,060	375,060	330,548	44,512
Budgetary Fund Balance - March 31, 2005	\$ 245,682	\$ 245,682	\$ 351,902	\$ 106,220

Pierson Township – Montcalm County, Michigan

Budgetary Comparison Schedule

Big Whitefish Lake S/A Fund

For the Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
BEGINNING OF YEAR FUND BALANCE	\$ 112,667	\$ 112,667	\$ 112,667	\$ 0
Resources (inflows)				
Interest and Rents	0	0	479	479
Other Revenue - Special Assessments	32,400	32,400	32,400	0
Amounts Available for Appropriation	145,067	145,067	145,546	479
Charges to Appropriations (outflows)				
Recreation and Cultural				
Contract services	32,400	32,400	63,226	(30,826)
BUDGETARY FUND BALANCE - March 31, 2005	<u>\$ 112,667</u>	<u>\$ 112,667</u>	<u>\$ 82,320</u>	<u>\$ (30,347)</u>

*OTHER SUPPLEMENTAL INFORMATION*

# Pierson Township – Montcalm County, Michigan

Balance Sheet

Non-Major Governmental Funds

March 31, 2005

	Little Whitefish Lake <u>S/A Fund</u>	Cemetery <u>Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 19,191	\$ 18,325	\$ 37,516
Due from County	1,205	0	1,205
Total assets	<u>\$ 20,396</u>	<u>\$ 18,325</u>	<u>\$ 38,721</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Due to General Fund	\$ 0	\$ 191	\$ 191
Fund Balance	20,396	18,134	38,530
Total liabilities and fund equity	<u>\$ 20,396</u>	<u>\$ 18,325</u>	<u>\$ 38,721</u>

Pierson Township – Montcalm County, Michigan  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended March 31, 2005

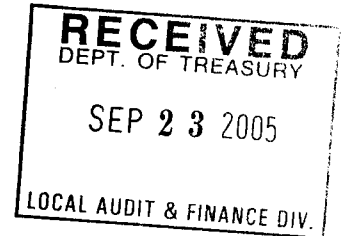
	Little Whitefish Lake S/A Fund	Cemetery	Totals
REVENUES			
Charges for Services	\$ 0	\$ 590	\$ 590
Interest and Dividends	19	88	107
Other Revenues - Special Assessments	18,000	0	18,000
Total revenues	18,019	678	18,697
EXPENDITURES			
Recreation and Cultural	9,598	0	9,598
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,421	678	9,099
FUND BALANCE - April 1, 2004	11,975	17,456	29,431
FUND BALANCE - March 31, 2005	\$ 20,396	\$ 18,134	\$ 38,530

**TERRY KIRKPATRICK, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

211 MAPLE STREET  
P O BOX 817  
BIG RAPIDS, MICHIGAN 49307-0817  
(231) 796-3332  
FAX (231) 796-5554

August 5, 2005

Members of the Township Board  
Pierson Township  
Montcalm County, MI



We recently completed our audit of the basic financial statements of Pierson Township for the year ended March 31, 2005. During our audit, we had an opportunity to test internal controls and to observe the accounting and financial procedures and many of the general management practices of the Township. Based upon these tests and observations, there are several matters that we specifically want to call to your attention.

#### ESCROW ACCOUNTS

The Clerk has set up individual files for the various escrow accounts along with a sheet to record all income and expense items. She does need to be very mindful of the various invoices that come in to the Township pertaining to these escrow accounts to make certain that each get charged to the escrow account. Also, the sheet must be up-dated each time a new receipt or invoice is received.

If a particular account is closed out during the fiscal year, the sheet and financial records should still be maintained in a location with all other accounts for the fiscal year. This past year, accounts that had been closed out during the year were stored in several different locations.

#### FILING OF PAID INVOICES

Invoices that have been paid should be stored in such a manner that anyone could locate the invoice very easily. Normally, the best method would be to store all paid invoices in chronological order by check number and each month in a separate file or envelope. A copy of the check voucher should be attached to each paid invoice.

This past year, nearly all invoices were stored in one large group some of which were in chronological order. That made it very difficult to locate any particular invoice.

#### OTHER MATTERS

We have enjoyed working with your staff. Their assistance was instrumental in our timely completion of the audit.

We have submitted two copies of the audit report, the auditing procedures report, and this letter to the Michigan Department of Treasury, Local Audit Division.

If you have any questions regarding this letter or the audit, please do not hesitate to contact us.

*Terry Kirkpatrick, CPA, P.C.*